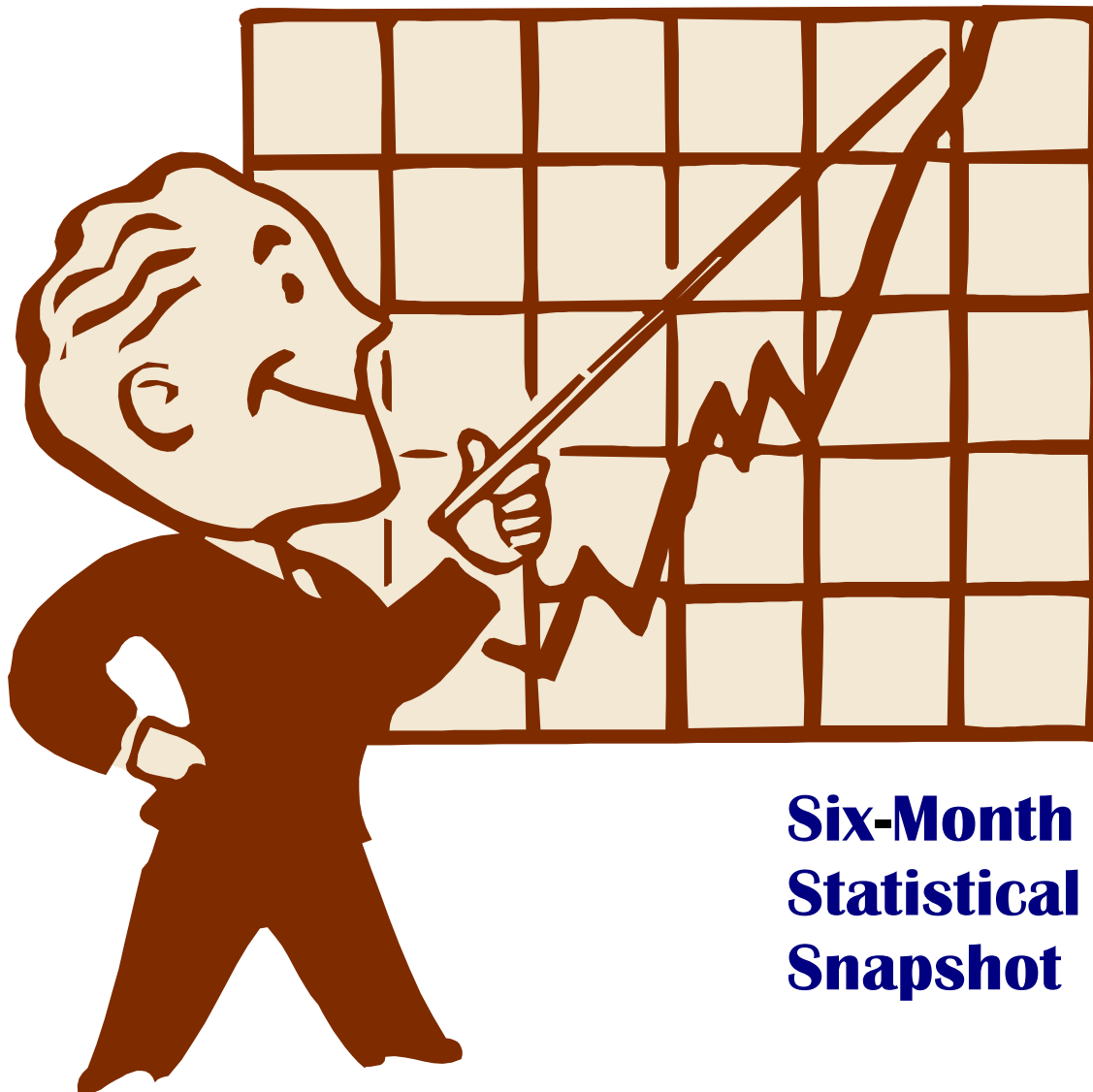


California EBT



Six-Month Statistical Snapshot

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Introduction

As of the end of January 2003, the California EBT system has been operational for six complete months. Alameda County, a large urban county, and Yolo County, a smaller rural county, were the pilot counties and began limited productive EBT operations in late July 2002, with full operations beginning in August 2002. In December 2002, after a pilot evaluation, five more counties were added to the EBT system. An additional six counties began EBT processing in late February 2003.

As of the end of January 2003:

- ♦ There are **72,381 households** being served by EBT,
- ♦ Receiving approximately **\$39.6 million in monthly benefits**,
- ♦ Performing over **660,000 successful redemption transactions** each month.
- ♦ Since the EBT Project started:
 - **446,000 benefit grants** have been deposited to client EBT accounts,
 - Adding up to **\$44.5 million in food stamp** benefits, and
 - **\$84.7 million in cash** benefits.

By most measures, the program has been very successful – for clients, for retailers, for Automated Teller Machine (ATM) owners, and for County Welfare Agencies.

This paper provides a review of the results of operations in the two pilot counties. The intent is to:

- ♦ Identify trends that are witnessed as EBT matures in a county.
- ♦ Provide insight as to the dissimilarities between the two pilot counties – large urban and small rural.

The detail transaction data that provides the specifics of the more than 1.5 million individual transactions that have been processed through the EBT system is the primary data source for this analysis. The analysis rolls up the data to monthly totals in a large number of different categories for both Alameda and Yolo counties so that comparison and contrast is possible.

Executive Summary

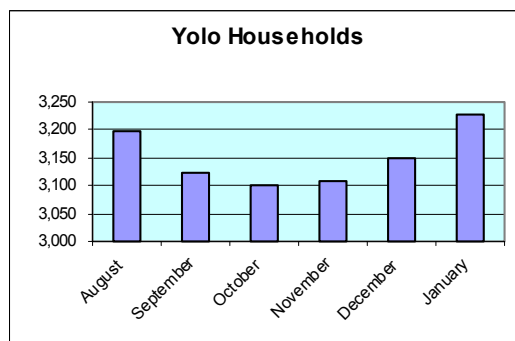
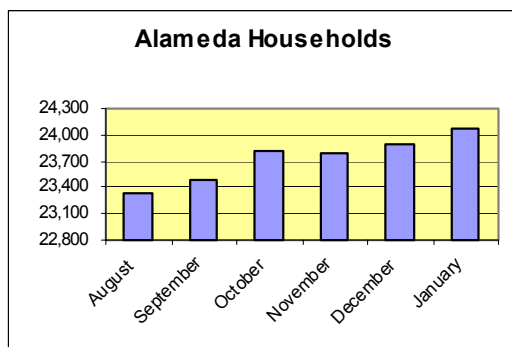
1. After the first month of full operation, clients adapt to the new technology.
 - a. The percent of redemption transactions that are rejected has dropped by more than a third.
 - b. Card replacements have dropped by 50 percent.
 - c. The number of client redemption transactions per household has increased, indicating a comfort level with the security of the system.
2. Clients learn to minimize cash access fees.
 - a. The average number of ATM withdrawals per household has decreased by 10 percent.
 - b. The average amount of ATM fees paid by a household each month has decreased by over 12 percent.
 - c. The percent of cash redemption transactions at point-of-sale (POS) locations has risen by 10 percent.
3. The estimated ongoing contractor cost of EBT in a preliminary analysis appears to be less than was planned when developing the business case.
 - a. Client help desk calls are running at 80 percent of the forecasted per household per month.
 - b. County-paid ATM transactions have fallen to approximately 1.8 per cash household per month, a full one-half transaction less than forecasted.
 - c. The preliminary contractor component of ongoing operations cost per household per month appears to be running 10 percent to 20 percent less than planned.
4. Clients in the smaller, more rural county appear to be more adaptive.
 - a. The percent of rejected transactions is about two percent less.
 - b. Proportionally fewer households make excessive use of the help desk.
 - c. The average amount of each ATM withdrawal is higher.
 - d. Proportionally fewer clients pay more than \$4.00 in ATM fees and proportionally more clients pay no ATM fees.
 - e. Proportionally more benefit-access locations are utilized on a per-household basis.

Benefit Deposits

This section looks at EBT operations from the view of the County Welfare Agency.

A household (or case) in EBT is an entity receiving food stamp benefits, cash benefits (from one or more cash programs), or both food stamp and cash benefits. A household is identified by a single Case ID (State Unique Identifier) and has a primary individual that is issued an EBT card enabling that person (typically) to access all benefits received by the household.

Active Households



The total households served in Alameda County are about seven times those served by Yolo County.

It is interesting that in Alameda County caseloads have been increasing over the six months of EBT, while Yolo County shows a different pattern.

It is unknown if the advent of EBT had any contributory impact on the decline of cases in Yolo County in the early period of the project.

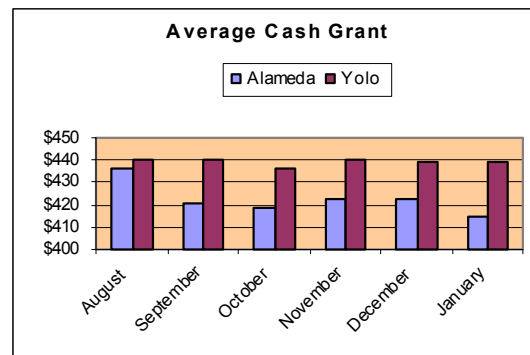
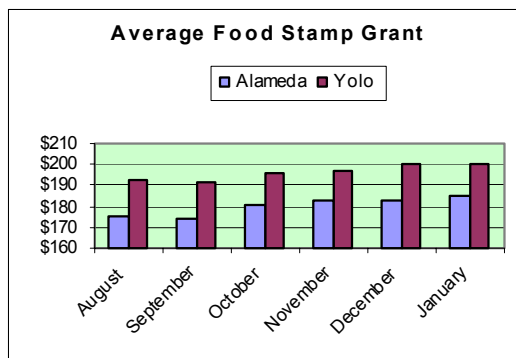
There is a long-standing theory that the advent of EBT will cause an initial decrease in program participation because clients do not trust the system or they do not want to be bothered learning the new technology. The data here seems to be ambivalent on the subject.

Grants

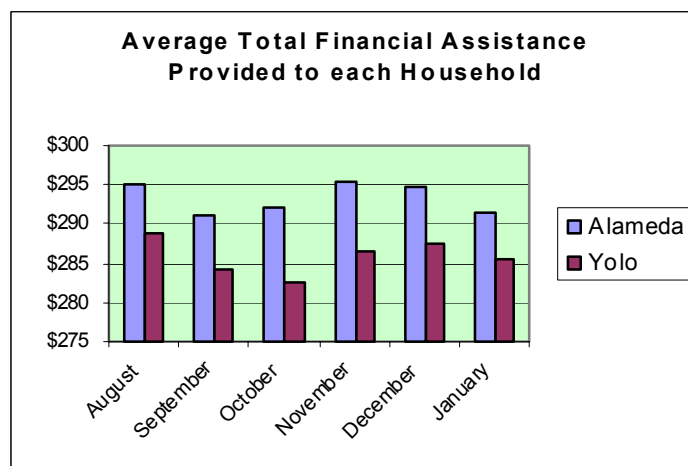
Benefits are authorized to households as grants. A client receives individual grants for each benefit program to which he/she is entitled. During the course of a month, a household may receive multiple grants, not only because of entitlement under multiple programs, but may receive multiple grants from the same program as a result of monthly benefits, supplemental benefits, or an expedited or emergency benefit. The monthly recurring grants are the most common, but in both counties, approximately 31 percent of the grants are

authorized in the daily files. The dollar amount of a grant is based on a number of factors such as household makeup, assets, and income.

As can be seen in the following charts, the average grant size for both food stamps and cash is larger in Yolo County. It can also be seen that the grant size for food stamps has been trending upwards in both counties while the size of the average cash grant fluctuates.



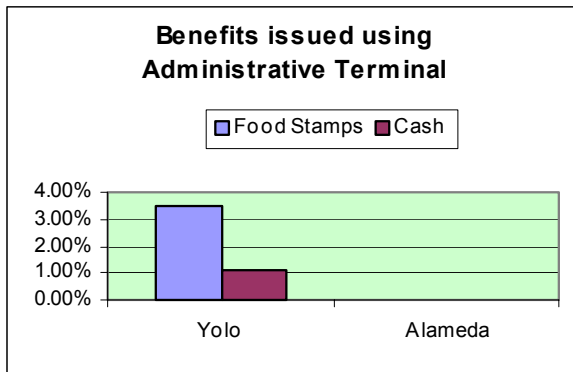
Looking at the total assistance provided to households (through EBT), assistance per household is higher in Alameda County. This reflects the greater portion of Alameda County households receiving both food stamp and cash grants. It is also a reflection of the limited number of cash programs provided by Yolo County that make use of EBT as the distribution method.



Benefit Issuance

The EBT system allows benefits to be made available to the client using primarily a batch interface between the county's eligibility system and the EBT system. However, an online real time Administrative Terminal interface is provided to support emergency benefit issuance and to achieve same-day client access to

benefits. The use of these different EBT interfaces is at the discretion of the individual counties.



Yolo County uses the online interface to issue over three percent of its food stamp benefits and about one percent of its cash benefits.

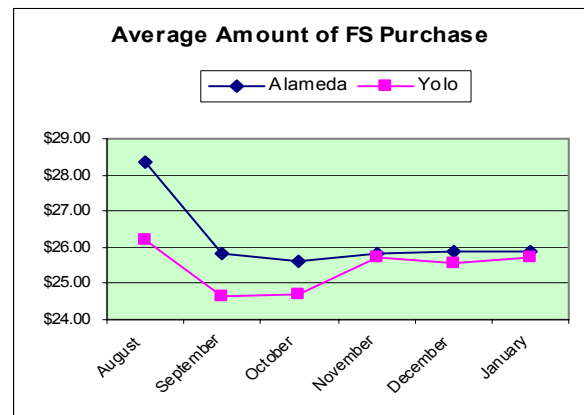
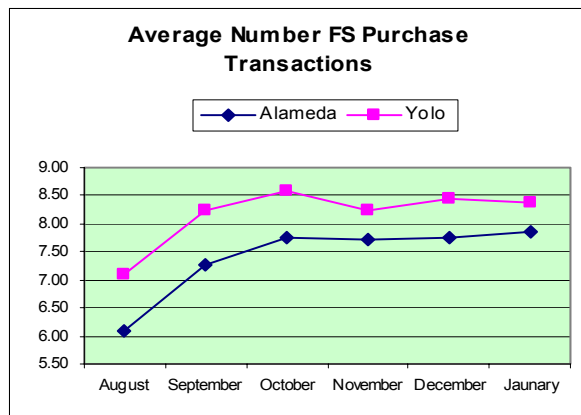
Alameda County rarely uses the online interface for benefit issuance.

Redemption Patterns

Clients redeem their EBT benefits at a variety of retail and ATM locations using their EBT card to enable an electronic redemption transaction. Redemption transactions are only for a specific amount of purchase or withdrawal. All remaining benefits are retained in the EBT database until the time the client chooses to make use of them. This section explores some of the characteristics surrounding the redemption process.

Food Stamps

Food stamp benefits may be redeemed at authorized federal Food and Nutrition Service (FNS) retail locations using POS equipment.



Over the six months of operations, the number of food stamp redemption transactions per household has increased. This supports the notion that as clients become more comfortable with the security of their benefits in the EBT system, they tend to spread out their purchases over the course of the month. Not surprisingly, the average ticket size of each redemption transaction has come down during the same period.

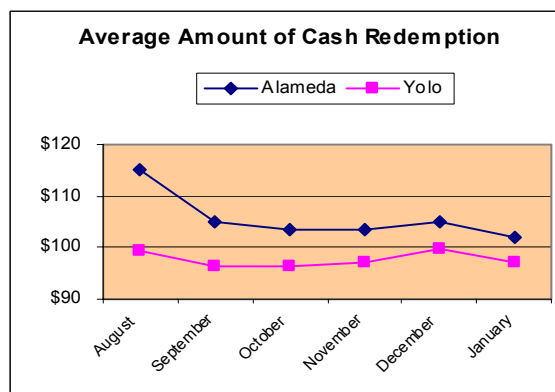
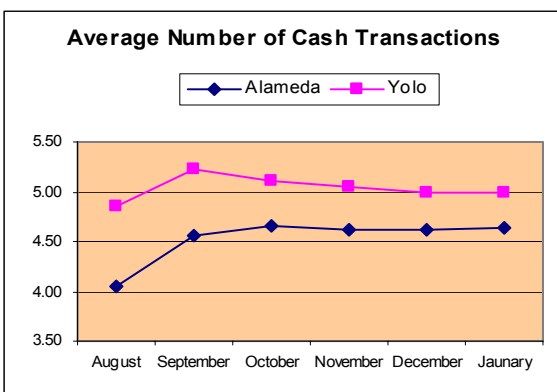
It is interesting that the number of transactions is higher in Yolo County while the amount of the transaction is lower.

Cash Redemption

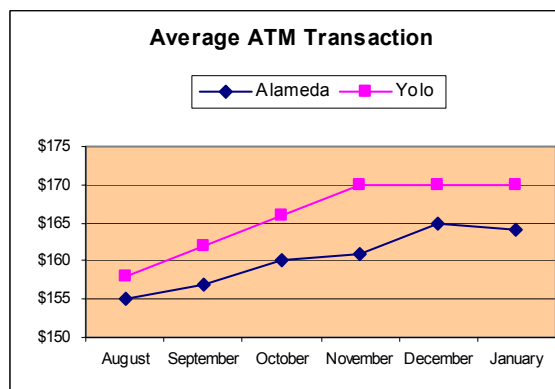
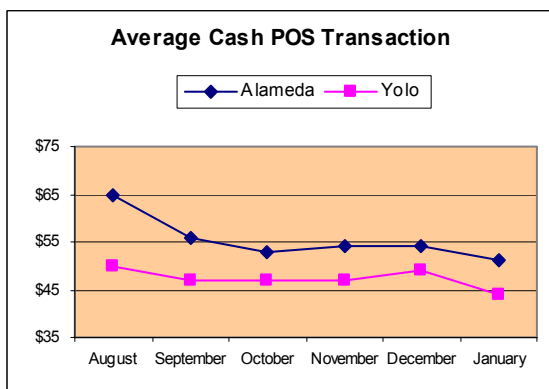
Cash benefits may be redeemed using POS equipment in retail locations, either as a purchase, purchase with cash back, or as a cash withdrawal (usually at a courtesy counter). Cash may also be redeemed at participating ATM locations.

The trend for the number of cash transactions per household is, similar to that for food stamps, increasing as clients gain familiarity and comfort with the system. Likewise, the average amount of each transaction decreases after the first

month. Yolo County clients tend to do more transactions for a smaller amount than do Alameda County clients.

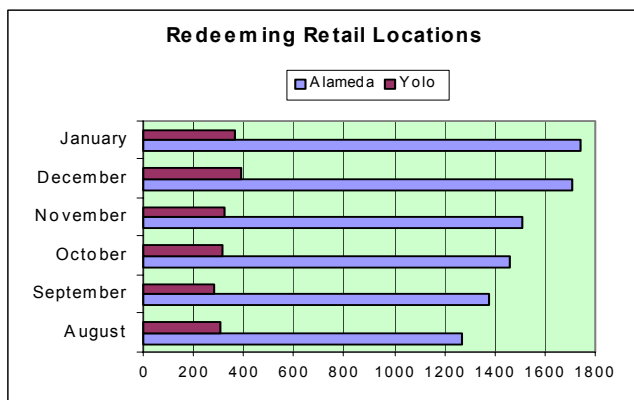


The average cash transaction amount at POS locations has been decreasing, while the average amount has been increasing at ATM locations. This might be interpreted as clients becoming more comfortable leaving any remaining cash (after paying the rent and other monthly bills) in their account and budgeting the funds over multiple purchases throughout the month.

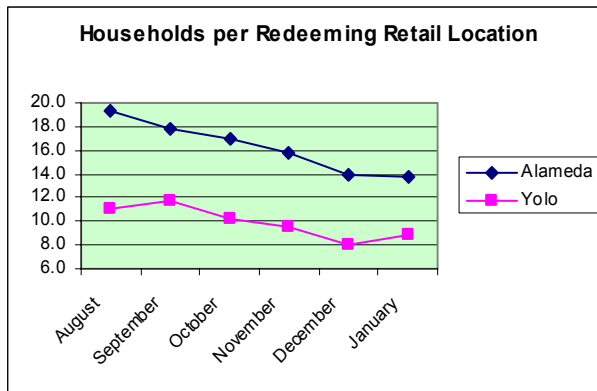


Redemption Locations

A concern when implementing an EBT project is clients having ready access to their benefits and the potential for disrupting normal shopping patterns.

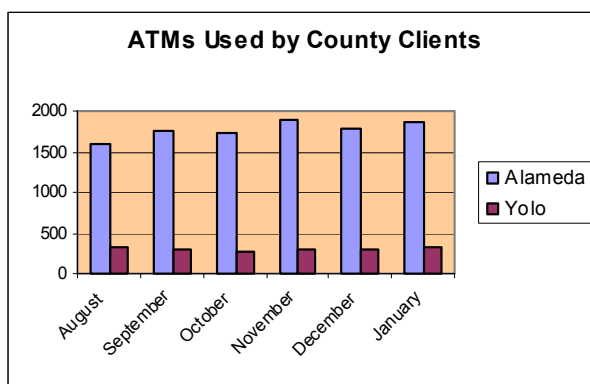


A large and continually expanding network of retail locations, especially in Alameda County, supports the EBT program in both counties.



Another view of the availability of access points is the number of households divided by the number of locations.

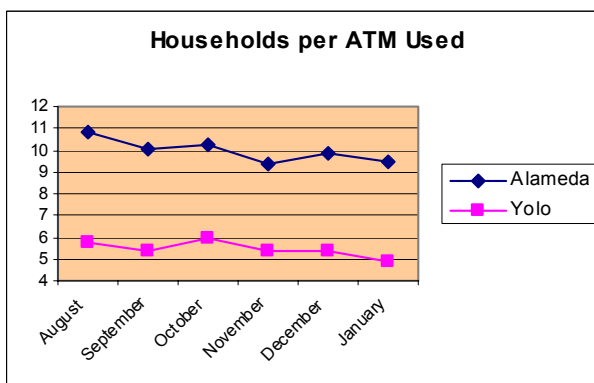
There is approximately one retail location being used for every fourteen households in Alameda County and every nine households in Yolo County.



Similar to the POS environment, cash EBT is supported by a large network of EBT-capable ATMs. They are everywhere. This chart shows the number of ATMs used by clients from the respective counties each month.

Also, as above, the households per ATM have been calculated as: the number of cash households divided by the number of ATMs used.

It illustrates a robust network with (on average) one ATM being used for every ten households in Alameda County and five households in Yolo County.

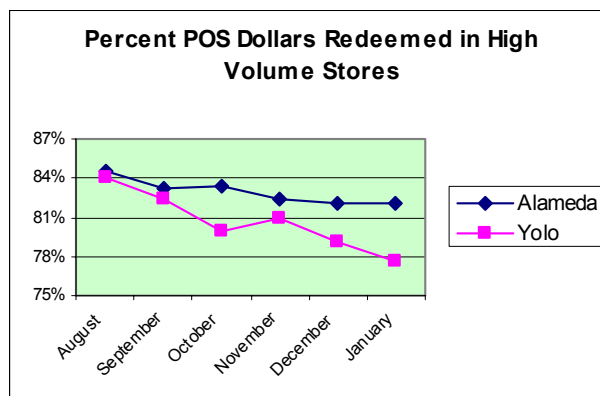
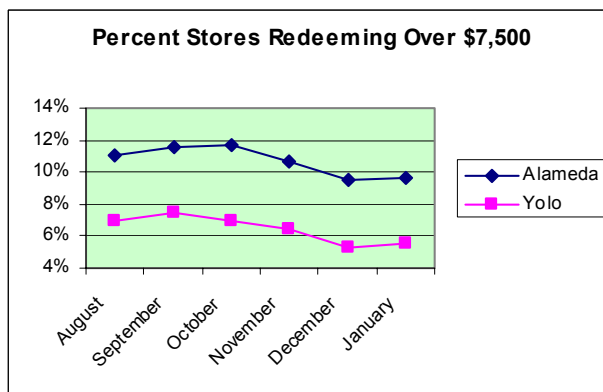


Retail Metrics

The total number of stores supporting EBT is large. The great majority of these stores, as seen in the following chart, do only a small dollar volume of EBT business while a small number of stores transact very large dollar volumes. This reinforces the belief that there are many neighborhood stores providing convenient EBT shopping for clients but that clients do go to the large volume grocers for their major monthly shopping. The average ticket size in Alameda County in the smaller stores is \$13.34 while in the top tier stores it is \$46.59. In Yolo County it is respectively, \$19.88 and \$41.43.

The following table shows, for Alameda County in January 2003, the distribution of benefit redemption according to the volume of the individual stores.

Store Redemption Volume	Percent of Stores	Percent of Trans.	Percent of Dollars	Average Trans.
Less than \$100	40.3%	0.9%	0.4%	\$ 13.26
\$100 to \$1,000	30.3%	6.5%	3.1%	\$ 15.18
\$1,000 to \$7,500	19.8%	26.6%	14.5%	\$ 17.04
\$7,500 to \$50,000	8.0%	35.2%	37.4%	\$ 33.21
More than \$50,000	1.6%	30.9%	44.6%	\$ 45.11



Clients using retail locations to redeem their benefits concentrate their shopping in a relatively few high-volume EBT locations. These locations, representing six percent to ten percent of the total locations, redeem about 80 percent of the benefit dollars.

However, the concentration of clients shopping in the higher-volume stores, as seen in these two charts, is decreasing.

The percent of total stores that redeemed over \$7,500 in benefits has fallen by about two percent.

Similarly, the percent of total dollars redeemed in these retail locations fell about two percent in Alameda County and about six percent in Yolo County.

EBT-Only Retailers

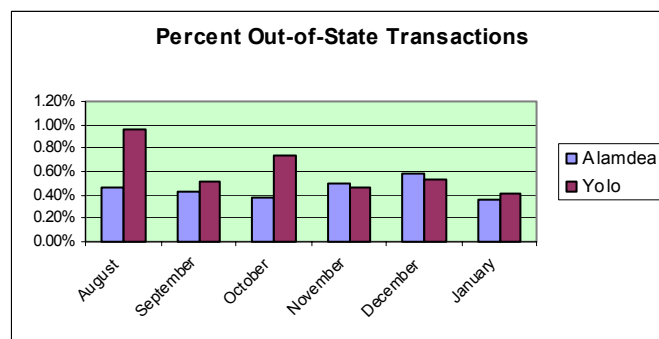
A prerequisite of food stamp EBT is that all FNS-certified food stamp retailers be electronically capable of accepting the EBT debit card. As a result, government provides POS equipment capable of performing only EBT transactions to a

subset of certified retailers that otherwise could not participate in the program. An examination of the latest available data shows that:

- ◆ 40 percent of retailers actively redeeming California food stamp benefits are government equipped.
- ◆ These EBT-only retailers perform 36 percent of all food stamp transactions.
- ◆ EBT-only retailers redeem 24 percent of all food stamp dollars.

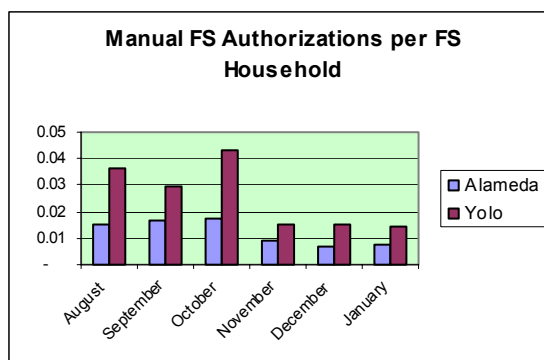
Out-of-State

The California EBT card is designed to allow benefit access anywhere within the United States. Indeed, the clients do travel as shown in the following chart.

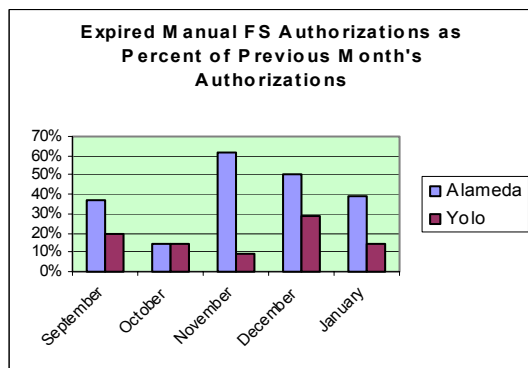


Manual Authorizations

The EBT system provides a telephone-based manual authorization process by which a retailer may receive a food stamp purchase authorization in the event the electronic POS equipment is unavailable or for small stores that do not have POS equipment.



A comparison of manual transactions in relation to the number of households receiving food stamp benefits shows they are infrequent and in fact have dropped significantly since the start of the program.



A manual authorization not cleared within 30 days "expires" and the amount is returned to the client.

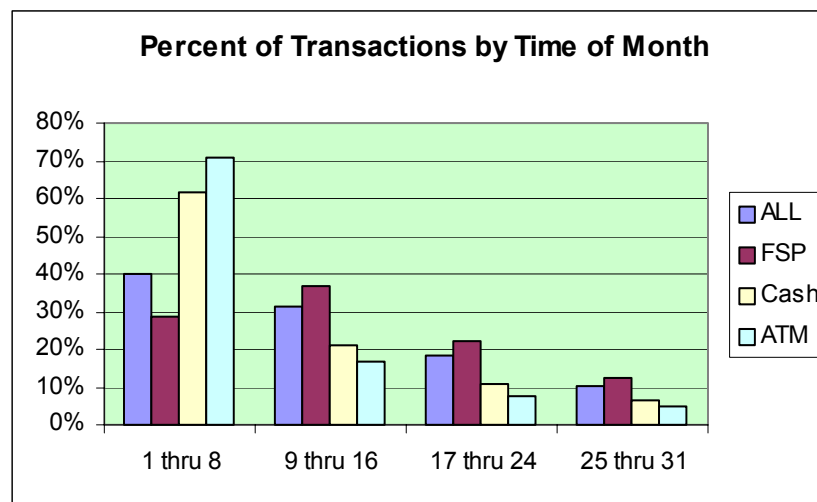
A comparison of expired to the number authorized in the previous month, while not an exact measure, gives a rough approximation of the relationship. The rate in Alameda County is very high, averaging 40 percent. Yolo County is averaging 17 percent.

POS food stamp purchases average \$26 in both counties while manual food stamp authorizations average \$35 in Alameda County and \$42 in Yolo County.

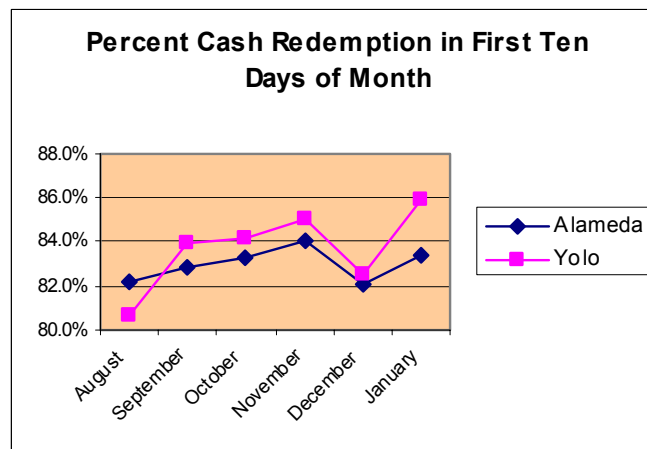
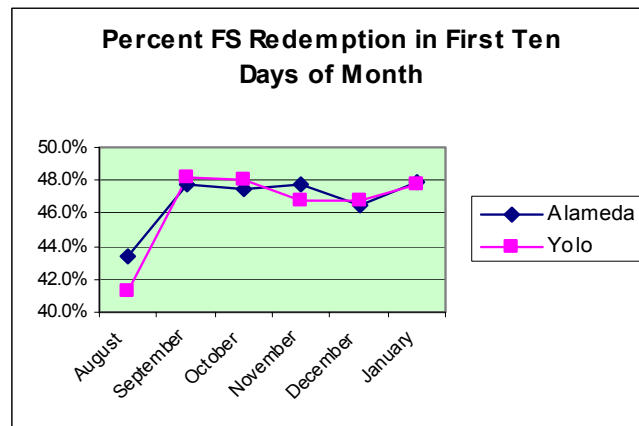
Transactions During the Month

EBT accounts are designed to act much like a bank account, allowing clients to use only the amount they currently need and to leave the remainder safely in their secure electronic account. As a result, clients spread out their shopping throughout the course of the month. During the first eight days of the month, 71 percent of all ATM transactions occur. Since this is the primary source for cash, this fact probably recognizes the need to pay rent around the first. On the other hand, food stamp purchases are spread out through the month, indicating a fair amount of budgeting and the use of the EBT system as a safe repository.

In viewing this data, it is important to note that cash benefit issuance is staggered over the first three days of the month and food stamp benefits are staggered over the first ten days. Additionally, benefits representing 31 percent of the total deposited to client accounts are distributed throughout the month in the daily issuance process.



With the exception of the first month of operation, the percent of food stamp benefits and cash benefits that are redeemed in the first ten days of the month has been fairly constant over the last six months. (Food centers around 48 percent and cash around 84 percent.) Yolo County residents tend to redeem their benefits slightly faster than do those in Alameda County. Another view of this pattern is that total cash redemption consistently passes the 90 percent milestone on the 15th day of the month and food stamps on the 24th day.

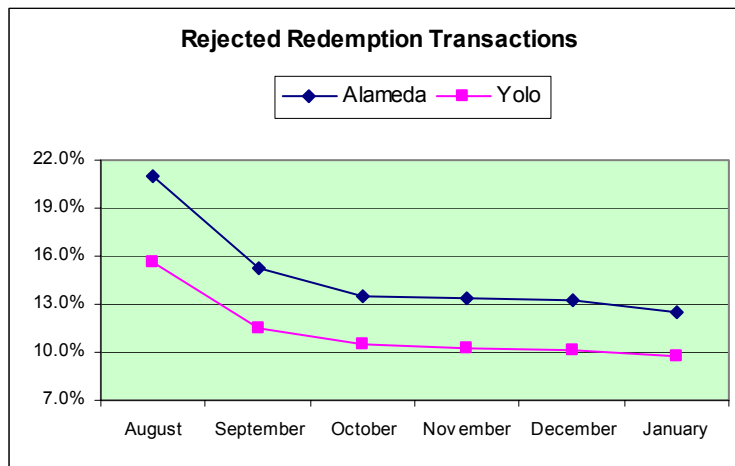


Client Usability

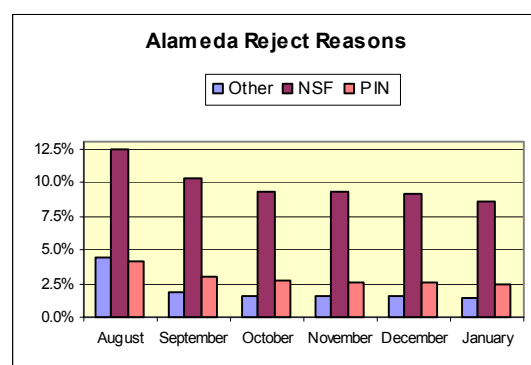
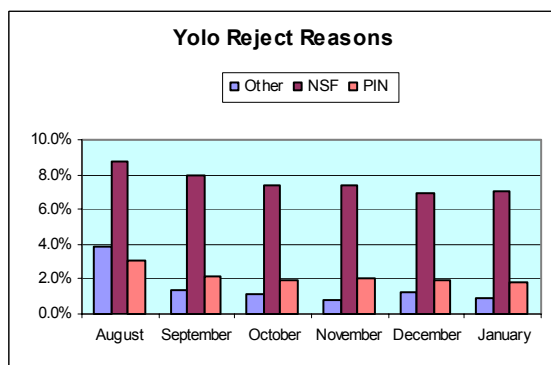
This section provides some insight into how effectively clients interact with EBT.

Rejected Transactions

A measure of how well clients adapt to the use of electronic technology is the percentage of redemption transaction attempts that are rejected. This rate has fallen dramatically since August 2002, by about eight percent in Alameda County and six percent in Yolo County.

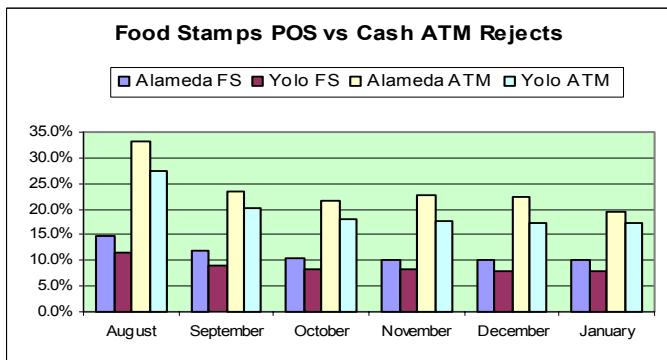


There are a number of reasons that a transaction may be rejected, but the two most common (and that directly reflect how well the client is using the system) are Non-Sufficient Funds (NSF) and Invalid Personal Identification Number (PIN).



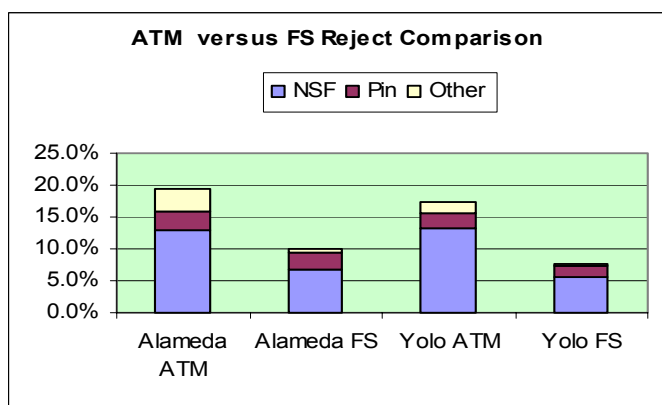
PIN rejects have diminished over the operations period and have stabilized at between two percent and two and one-half percent. NSF rejects, while they have lessened, remain by far the most prevalent, running at about seven percent to eight percent of all transaction attempts. The rejection rate for both PIN and NSF seem to run about one percent less in Yolo County than in Alameda County.

It is interesting that the reject rate differs significantly depending upon the type of transaction. POS transactions that require a client interface with a checkout clerk have a lower reject rate than fully automated person-to-machine transactions such as an ATM. In looking at the data, food stamp POS transactions have the lowest reject rate followed by cash POS transactions and lastly by ATM transactions.



ATM transactions have the highest overall reject rate, running between 18 percent and 20 percent in January 2003.

Food stamp transactions are at the other end of the scale, averaging between 8 percent and 10 percent.

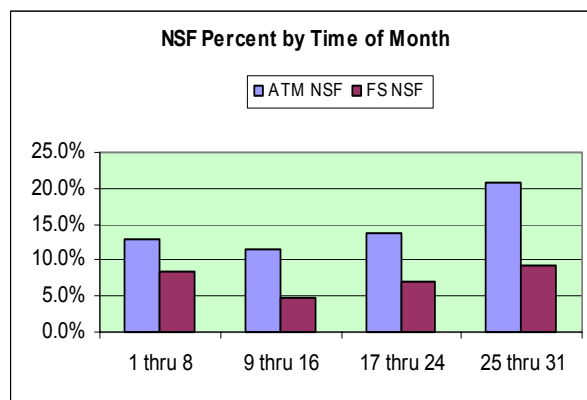
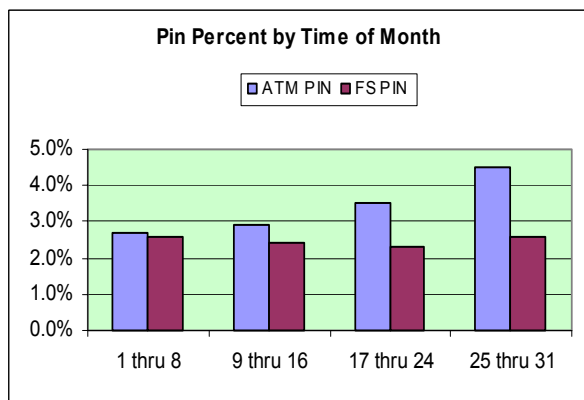


PIN rejects are fairly constant between ATM and food stamp POS transactions.

The big difference is the number of NSF rejects, which are substantially greater for ATM transactions.

The incidence of "other" rejects is virtually nonexistent for POS transactions but is a major factor for ATMs.

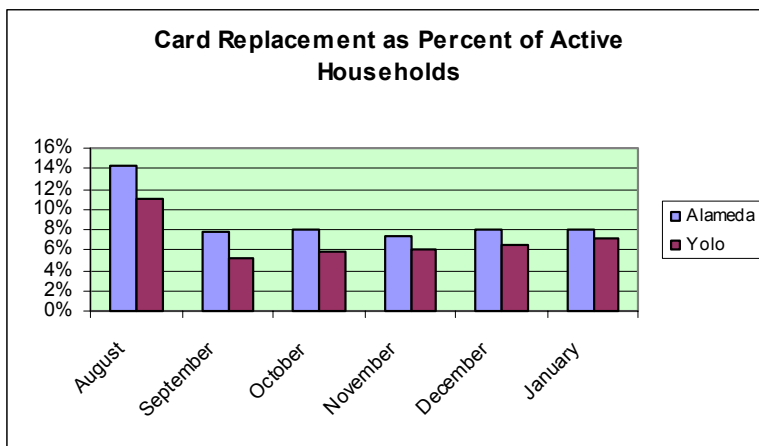
Rejects also vary by the time of the month. PIN rejects for food stamps are fairly constant throughout the month, at about 2.5 percent, but for ATMs the rate increases throughout the month from about 2.5 percent to 4.5 percent.



NSF rejects take a dip during the middle half of the month and reach a peak in the last quarter, topping out at over 20 percent for ATMs and nine percent for food stamps. Remember, when considering this data, in the last part of the month there is a lot less total transaction volume so the absolute number of rejected transactions is not that high.

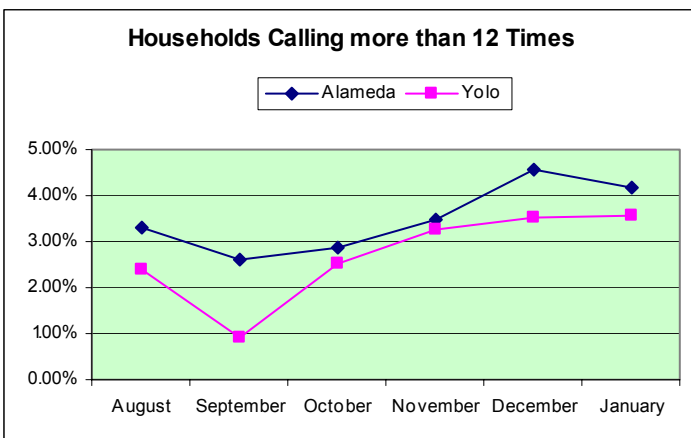
Card Replacement

Another measure of the client interface with the system is the rate at which clients request card replacement as a result of a lost or stolen card. This, as expected, was high in the start-up period as clients adapted to the new technology. However, it seems to have quickly stabilized at about eight percent of the client base in Alameda County and seven percent in Yolo County.



Frequent Help Desk Users

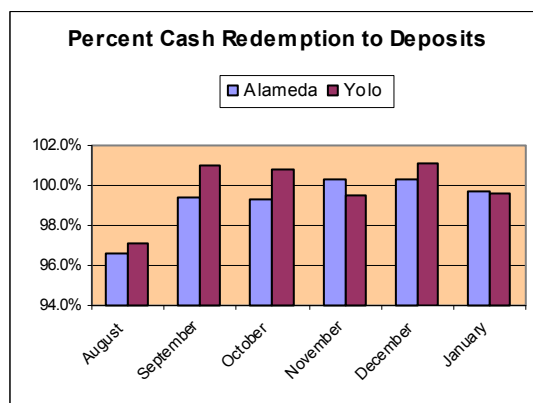
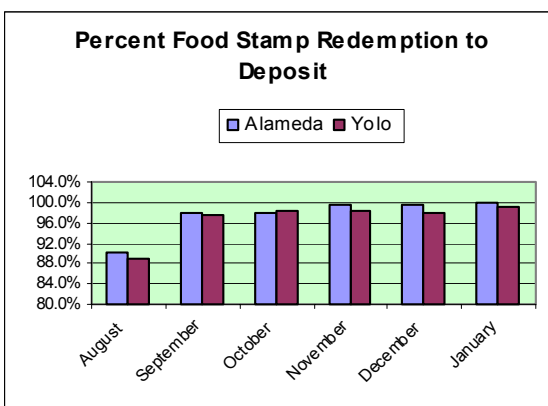
Frequency of calls to the Help Desk is another indication. The average number of help-desk calls per household runs between 2.5 and 2.9 per month. However, some clients tend to call much more frequently.



The percent of households that call the EBT Help Desk more than 12 times has been increasing since September 2002 but appears to be stabilizing as of the end of January 2003.

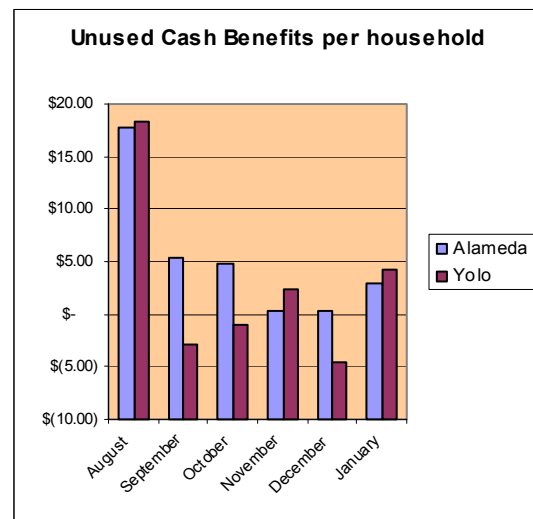
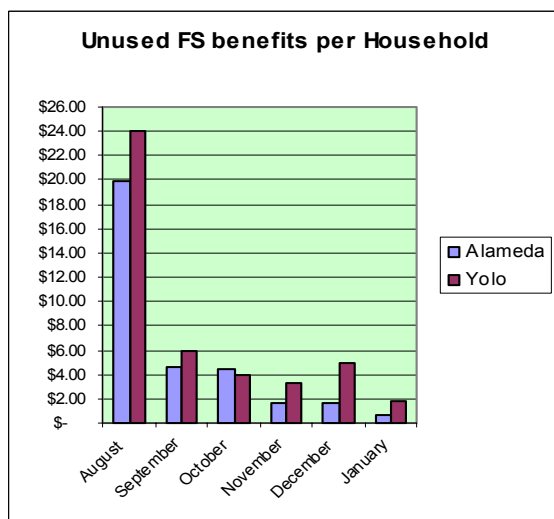
Unredeemed Benefits

When moving to a significant new technology such as EBT, there is the fear clients will have trouble adapting to the system. A measure of acceptance of the system is the relationship between the dollar amounts of benefits deposited in client accounts to the dollar amounts redeemed by the clients. In the following two charts, it is apparent there was a certain amount of adaptation occurring in the first month but in subsequent months benefits were being fully accessed.



It is expected that redemption will generally be a little less than deposits. One reason is clients leaving the program with residual benefit dollars remaining in their account. Note that in several months, the cash redemption exceeds the deposits, indicating that clients have carried forward a certain portion of their benefits from a previous month.

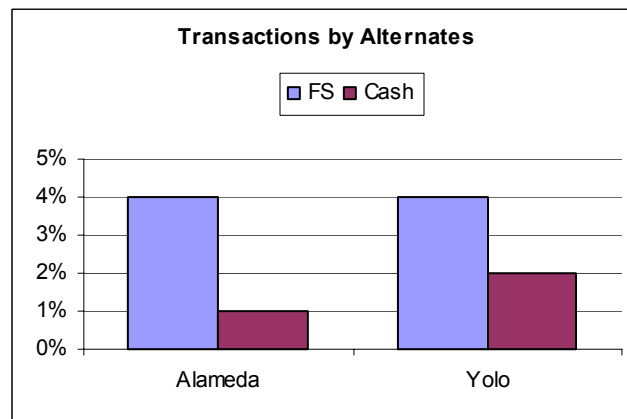
These two charts showing the unspent benefits on a per-household basis graphically demonstrate the adaptation issues experienced during the first month.



It is interesting that Yolo County clients are less aggressive than Alameda County clients in redeeming their food stamp benefits but appear to be more aggressive in redeeming their cash benefits.

Alternate Card Holders

A concern with EBT is enabling clients that are physically or otherwise unable to access their benefits and manage their EBT accounts. This is accomplished using the same strategy as the predecessor paper-based system. Individuals, designated by the client (or sometimes by the county) are issued an EBT card with the capability of accessing benefits on behalf of the client. This chart shows the percentage of benefits that are being redeemed by these alternate cardholders.



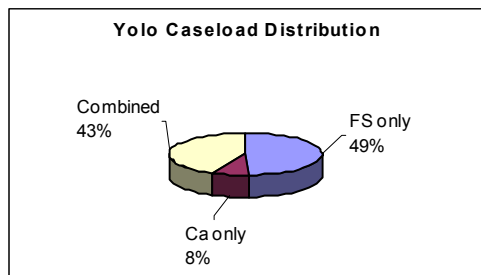
Alternates are used more in relation to the Food Stamp Program consistently between the two counties. It is interesting that the use of alternates for cash in Yolo County is double that of Alameda County.

Cost Implications

This section considers metrics and trends that have a direct impact on a county's cost for EBT.

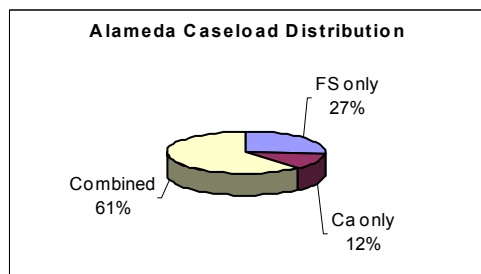
Caseload

Caseload, as used in EBT for billing purposes is categorized as Food-Stamp Only (i.e., the household identified by the case receives only food stamp benefits), Cash Only, or Combined. The EBT charge for core services varies depending upon how a case is categorized. This in turn depends, on a month to month basis, if the case received food stamp benefits, cash benefits, or both during that month.



As can be seen, Yolo County has a significantly smaller percentage of combined cases (i.e., households) than does Alameda County.

Because a combined case is more expensive than a Food-Stamp-Only household or a Cash-Only household, Yolo County will have a lower cost-per-household served.



However, because the cost structure is heavily weighted towards the Food Stamp Program, where Yolo County is concentrated, the cost in Yolo County based on a per-benefit-program basis will be higher.

Expungements

A financial consideration of EBT is the amount of benefits that are unspent and are subsequently returned as expungements. For the food stamp benefits that are 100 percent funded by the federal government, there is no direct impact to the county. However, for cash benefits that come from the county treasury, there may be an impact.

Average Unspent Benefits per Household

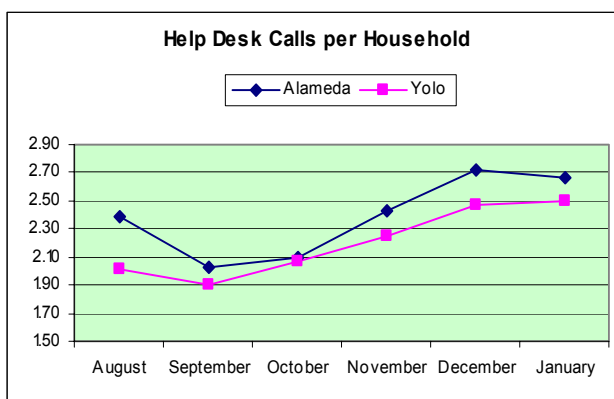
	Alameda	Yolo
Food Stamps	\$1.29	\$3.40
Cash	\$1.22	\$0.63

This chart shows a monthly average of unspent benefits (average of November 2002, December 2002, and January 2003) on a per-household basis. On

average, a county can expect (if this trend continues) that for every cash household issued benefits in a month, in Alameda County, approximately \$1.22 will eventually be returned to the county. In Yolo County, \$0.63 will be returned to the county.

Help-Desk Calls

The number of client help-desk calls is a major cost driver for EBT in California. Counties pay \$0.25 for each of these calls after the first two months of operations. The initial budget for EBT, based on usage in other state programs, estimated 3.5 calls per household. Experience to date in the pilot counties is showing 2.5 to 2.7 calls per household.



Help-desk calls per household have been increasing since the second month of operations, an unfavorable trend.

In December 2002 and January 2003, help-desk calls appear to have stabilized at a rate that remains below the budgeted 3.5 per household.

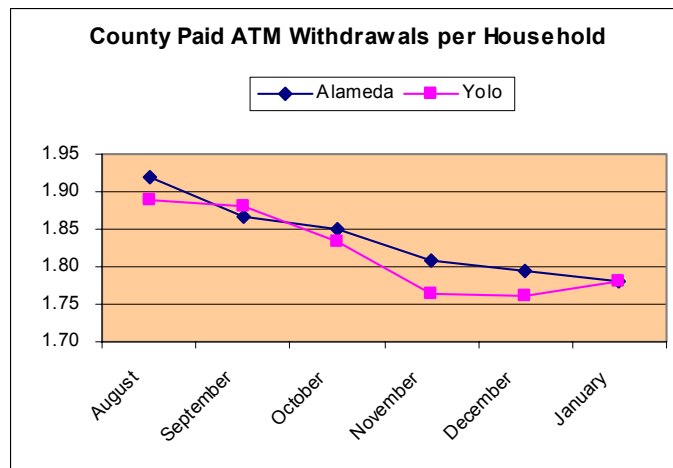
The number of households calling the help desk frequently has been rising, which in turn is driving up the overall rate. About four percent of households call 12 or more times per month. The EBT system makes available a list of frequent callers with the intent that the counties can, through client training and communications, manage this call volume and their cost for help-desk calls. To date, such active call management has not been implemented.

ATM Transactions

ATM transactions are the single most expensive component of EBT for cash programs. Counties are charged \$0.48 for each ATM transaction up to the state-mandated four cash-withdrawal transactions. In creating the budget for EBT, California, based on experience in other states, forecasted that cash households would, on average, require 2.3 withdrawal transactions each month. In the pilot counties, the actual number for which the county is paying appears to be stabilizing at between 1.75 and 1.8 withdrawal transactions per household.

The number of county-paid ATM transactions per household has been falling throughout the operational period. It appears to be stabilizing in December 2002

and January 2003 at a point well below the number used in preparation of the state's EBT Project budget and in developing the business case for cash EBT.



Planned Cost versus Actual

The state has not yet received a fully certified and validated contractor invoice that provides actual ongoing monthly maintenance and operations costs. However, through evaluation of available operational data and reports, the state has developed estimated January 2003 total maintenance and operations cost for the two counties being examined.

These total estimated operating costs divided by the households being served provides a cost per household. This, in turn, provides a basis against which to compare the EBT budget forecasted several years ago when each county was provided cost information for use in developing their individual business cases for EBT.

This preliminary analysis is very encouraging. It appears that actual costs are running between 10 percent and 20 percent below the budgeted amounts used in the planning process.

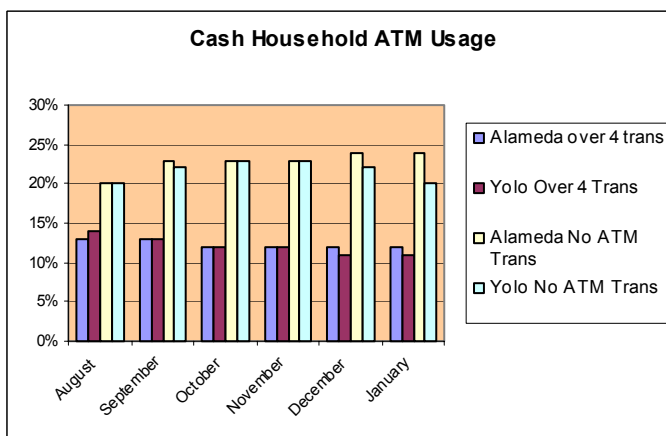
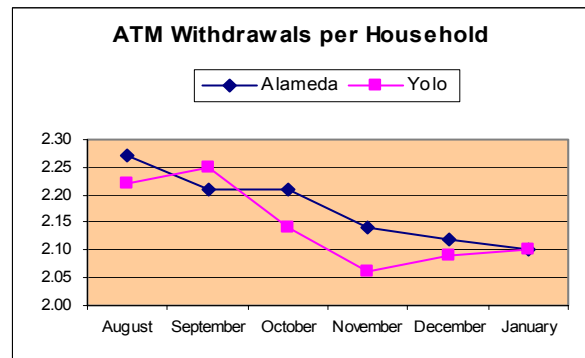
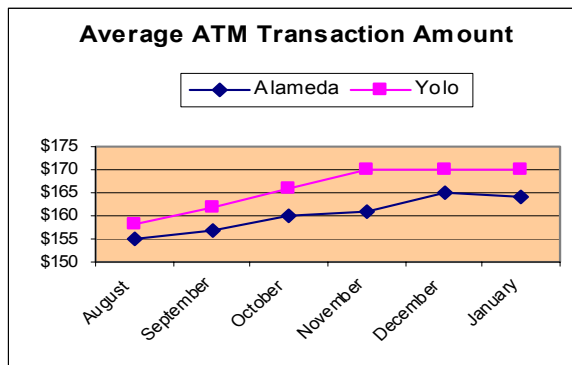
While this is very positive, the analysis is not representative of a county's actual cost for EBT. First, the analysis is based on a nonvalidated estimate of costs. Second, it includes only those costs attributed to the EBT contractor. Third, it is an estimate of total costs for a county and does not take into account any allocation of costs between the food stamp and cash programs and does not consider federal, state, and county contributions.

Cash Access

This section explores how and where clients access their cash benefits.

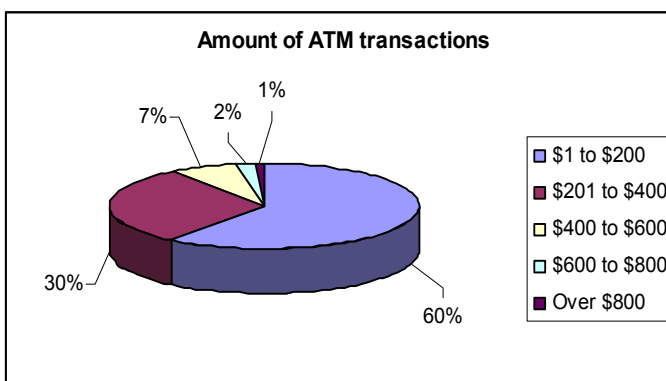
ATM Usage

The primary source for clients to redeem their cash benefits is at the many ATM locations that support EBT. The number of ATM transactions-per-cash household has been declining over the six-month period to the current average of 2.1. The average withdrawal amount in January 2003 was \$170 in Yolo County and \$164 in Alameda County, up by almost \$10 from the August 2002 average.



Eleven percent of Alameda County's cash households and ten percent of Yolo County's cash households did more than four ATM transactions in January 2003.

However, 24 percent of Alameda County's households and 20 percent of Yolo County's households did no ATM transactions.



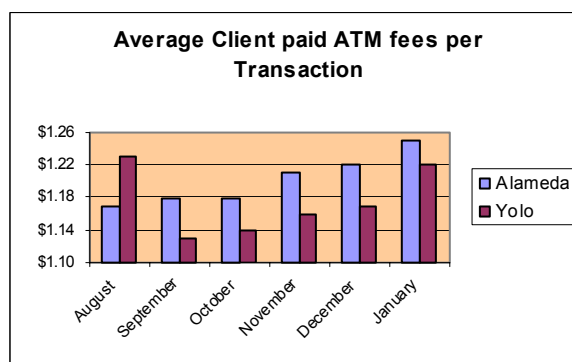
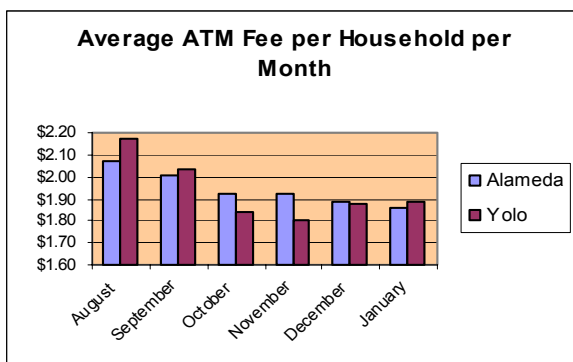
The distribution of ATM transactions has not changed significantly over the six months and is similar in both counties.

Approximately 60 percent of all ATM transactions are for \$200 or less while one percent is for \$800 or more.

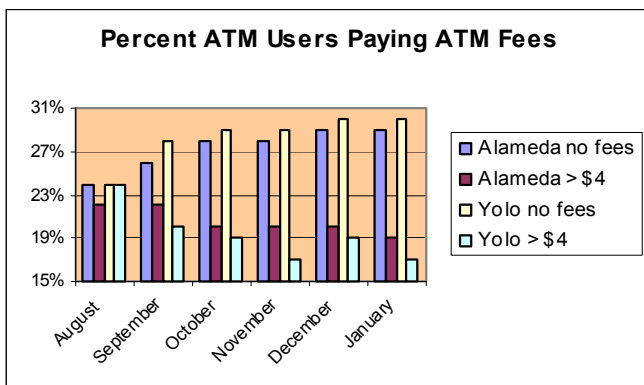
ATM Fees

Often ATM transactions include a client-paid fee. These fees include \$0.25 for a balance inquiry, \$0.85 for any ATM transactions in excess of the four withdrawals provided by the county, and often a surcharge that might be from \$1.00 to \$2.00. Surcharges are imposed at the discretion of the ATM owners and many of these institutions have chosen to not surcharge EBT clients. An important aspect of EBT is how well clients manage their use of ATMs and the amount of fees they pay.

Over the six months of operations, clients have clearly learned to manage the amount of ATM fees paid. From August 2002 through January 2003, the average fees per cash household per month has come down from almost \$2.20 in Alameda County to \$1.90 and from \$2.08 in Yolo County to \$1.88.



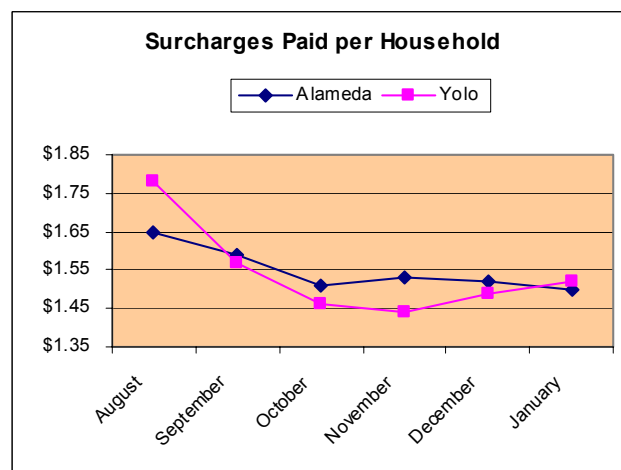
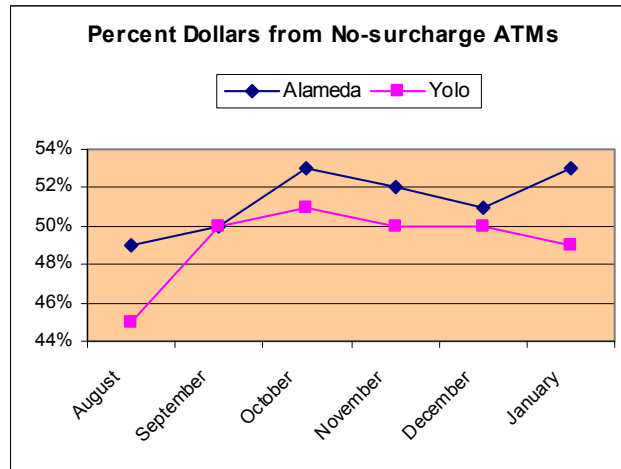
While the per-household-per-month fee amount is decreasing, the average fee on each individual ATM transactions has consistently been rising since the second month of the project in both counties. The good news is that the total number of ATM transactions is falling fast enough to more than offset the rising fee paid on each transaction.



The percent of cash households paying no ATM fees has been increasing in both counties to approximately 28 percent in January 2003.

The percent of households paying more than \$4.00 in fees has been decreasing to less than 20 percent.

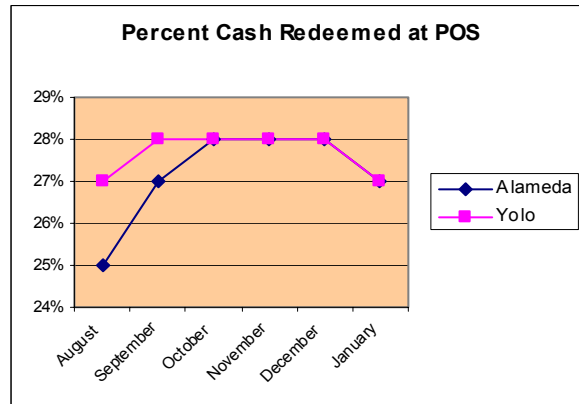
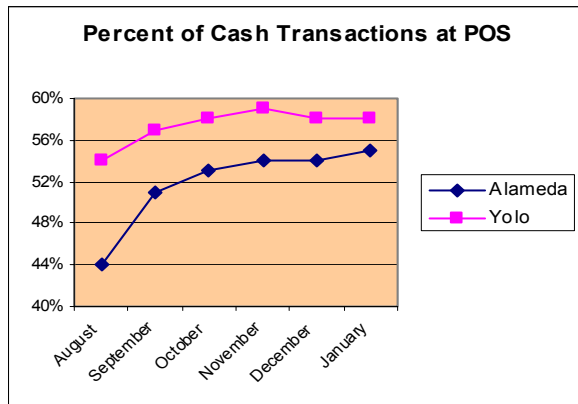
Surcharges represent the largest portion of client ATM fees. Approximately 25 percent of the available ATM network that supports EBT provides surcharge-free cash withdrawals. Clients are encouraged to actively seek out these surcharge-free ATMs.



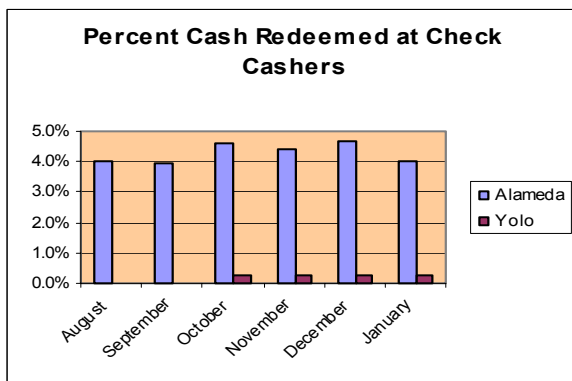
It is encouraging that approximately 50 percent of ATM withdrawals come from surcharge-free ATMs. It is equally positive that the average surcharge per cash household has fallen to approximately \$1.50 per month.

POS Cash

While ATMs are the primary source for cash, clients do rely upon retail locations to redeem approximately 27 percent of their cash benefits. The percentage of cash transactions at retail locations has risen steadily over the six-month period to approximately 56 percent of all cash transactions. This demonstrates the breadth and diversity of a client's cash access options and a client's flexibility in pursuing these options.



Most POS locations provide free cash access consistent with the individual store's check cashing and cash back policies. However, some POS locations do charge a fee for converting cash benefits into cash.



Check cashers are a subset of POS cash outlets whose primary business is converting client benefits, for a fee, into cash.

Even with the large number of ATMs and non-fee retail locations, some clients continue to use the services of check cashers, especially in Alameda County.

There are three types of POS cash transactions, a purchase transaction, a purchase with cash back, and a cash withdrawal transaction. Based on how individual retailers have programmed their POS devices to record these different transactions, the following observations can be made.

For a purchase with cash back, the average amount of the cash back in Alameda County is \$60 (out of \$70 total) and in Yolo County it is \$72 (out of \$84 total). The cash back portion of a purchase with cash back is running about 86 percent in both counties.

Distribution of cash POS transactions during January 2003:

County	Purchase		Purchase w/Cash Back		POS Withdrawal	
	Percent	Avg. Amt.	Percent	Avg. Amt.	Percent	Avg. Amt.
Alameda	62%	\$35	27%	\$70	10%	\$96
Yolo	62%	\$19	31%	\$84	7%	\$95

Alameda County cash households are doing about 2.96 cash POS transactions per household and Yolo County cash households are doing about 3.96.